

MINUTES
GAMING ADVISORY COUNCIL

June 23, 2004
Crystal Inn
Great Falls, Montana

Please note: This is a summary of the Council meeting. The meeting in its entirety is on tape at the Gambling Control Division office at 2550 Prospect Avenue, Helena, Montana. Exhibits are on file in the office of the Gambling Control Division.

COUNCIL MEMBERS PRESENT

Sen. Dale Mahlum, Chairman
Bill Thomas
Pam Kennedy
Nick Murnion
Steve Morris

John Tooke, Vice-Chairman
Kevin Howlett
Rep. John Witt
Tim Carson

DIVISION STAFF PRESENT

Gene Huntington
Rick Ask

Jessica Adams
Cregg Coughlin

SUMMARY OF COUNCIL ACTION

- ◆ A motion passed unanimously to approve the new games committee draft legislation.
- ♠ A motion passed unanimously to submit the Tribal Compact Subcommittee's recommendations as legislation.
- ♣ A motion passed unanimously to proceed with the proposed legislation on internet gambling.
- ♥ A motion passed unanimously to accept the general revision bill without the statute of limitations issue at this time.
- ◆ A motion to clarify the Council's original position on grandfathered locations passed 8-1.
- ♠ Chairman Mahlum appointed a sub-committee to review video gambling machine tax and record keeping compliance audits.
- ♣ The Council heard a proposal by Mr. Tooke on pari-mutuel fantasy sports; Mr. Tooke will have his representative carry the bill.
- ♥ The Council tentatively set the next meeting for October in Missoula.

CALL TO ORDER AND ROLL CALL

Chairman Mahlum called the meeting to order at 9:39 a.m. All members were present. The minutes from the March 18, 2004 meeting were adopted unanimously.

Rep. Witt reported that he represented Montana at the 2004 Rocky Mountain Summit on Gaming in Denver. He stated that the meeting was very educational and informative, and many different jurisdictions were represented.

DigiDeal Presentation

DigiDeal provided a demonstration of its electronic card table. Larry Martin, DigiDeal, explained that he was introducing the digital card technology for allowable games; it is a system that shuffles, deals and displays playing cards as digital card facsimiles. Chairman Mahlum asked the Council and the audience for any comments on the new gambling device. Gene Huntington, Division Administrator, reported that the Division's preliminary conclusion is that this device is not clearly authorized by Montana law. Gene Huntington indicated that the Division will assist DigiDeal in drafting legislation, however, DigiDeal will need to find a sponsor for legislation.

REPORT FROM NEW GAMES COMMITTEE

Tim Carson moved to approve the new games committee draft legislation, Nick seconded the motion; the motion passed unanimously. Mr. Tooke stated that the Committee decided to maintain the status quo on the royalty issue. Mr. Tooke stated the bingo issue has been reviewed at length; at the Gaming Industry Association meeting it was suggested that the major interested players get together and try to see what kind of agreement they could get to regarding the make-up of the games and essentially changing some of the ways the games are played without expanding the payoff limits.

Rick Ask explained that some of the proposed changes would require a change in the definition of bingo that is now in statute.

Mr. Huntington stated that the Division is contemplating new legislation. The Division can draft a bill and bring it back to the New Games Committee to review it and then present it to the Council.

REPORT FROM TRIBAL COMPACT SUBCOMMITTEE

Kevin Howlett, acknowledged the tremendous amount of effort and time that the members of the committee, and Gene and Sarah, have committed to this complex issue. Mr. Howlett stated that the committee looked at the framework for the future and what that mean in terms of the legislature and what it might mean in terms of the chief

executive of the state and his/her ability to negotiate a compact within the executive agency. The committee believes that it has framed in a process by which the Tribes can advance their discussions to the executive branch.

Pam Kennedy stated that the committee's efforts are a work in progress and that the Tribes just want the state to be able to enter into compacts so that there are not difficulties in the future. This would allow for some flexibility; the Governor would be able to negotiate higher payouts if it can truly be demonstrated that it would have an economic benefit for the Tribes. She explained that the committee looked at involvement of the Legislature and how that could come about and felt that if the leadership of the Legislature were involved in the process, if there were concerns, they could bring that forward and work it out between the Tribes and the Governor.

Bill Thomas commented on the complexity of Indian Gaming and the various elements involved in approving compacts. Mr. Thomas stated that the Tribes consider each separate reservation as a nation and they all have very different opinions as to what they want and the types of gaming and the way they want to proceed with it; any legislation has to accommodate these individual differences among the various Tribes.

Mr. Huntington presented the Committee's final recommendations to the Council. The proposed legislation would delegate to the Governor clear authority to negotiate and execute gaming compacts. The legislation would further define the role of the legislature. Mr. Howlett made the motion to submit this as legislation through the Gaming Advisory Council. The motion passed unanimously.

INTERNET GAMBLING PROPOSAL

Mr. Huntington explained that the Division has tried to re-draft the definition in a way to make it clear that Internet gambling would be considered an illegal gambling enterprise. The definition would focus on operating the illegal enterprise rather than simply gambling over the Internet. There are exceptions for the lottery, simulcasts and Indian gaming. A motion was made by Mr. Carson to proceed with the proposed legislation. The motion passed unanimously.

GENERAL REVISION LEGISLATION

Statute of Limitations

Cregg Coughlin, Assistant Attorney General, Gambling Control Division, explained that the statute of limitations concern applies specifically to administrative gambling actions. This proposal is the result of past disputes between the Division and respondents in certain administrative actions. Mr. Coughlin stated that this legislation would add language to Mont. Code Ann. § 23-5-136 providing that the statute of limitations from Mont. Code Ann. §27-2-231 would apply to all actions arising under this section.

Chris Gallus, stated that the Gaming Industry Association had met and expressed some serious concerns about the statute of limitations and at this point is against including this revision in the general revision bill.

Mr. Tooke moved to accept the general revision bill without the statute of limitations issue at this time. The motion passed unanimously.

Clarify When Alcoholic Beverage License is Required for Certain Gambling Activities

After much discussion, the Council requested to see the specific legislation related to this proposal.

Proposed Amendment re: Display of Antique Slot Machines

Mr. Huntington explained that there are two definitions on the display of antique slot machines; the Division is trying to make them consistent.

LEGISLATIVE PROPOSAL FOR AUTOMATED ACCOUNTING AND REPORTING SYSTEM

Mr. Huntington stated that the issue paper reflects the action taken at the last council meeting on how to change the legislation, except for the issue of grandfathered locations.

Grandfathered Locations Without Liquor Licenses

Mr. Huntington explained the three alternatives to revise the laws clarifying the situation with the grandfathered locations. Steve Morris stated that it is the Montana Tavern Associations feeling that the grandfathered locations were going to be phased out over time and were specifically not allowed poker. Mr. Huntington declared that House Bill 122 clearly included the grandfathered convenience stores. Clarification is needed for the grandfathered bingo halls to have multi-game software, which would only affect 2 locations and up to 40 video gambling machines. Mr. Tooke wants to ask for clarification on the previous legislation. Mr. Carson moved to clarify the Council's original position by adopting alternative (A) in the issue paper. That alternative stated: "Clarifying that grandfathered bingo halls can have multi-game software. This would effect two locations and up to 40 video gambling machines."

The motion passed 8-1 with Mr. Morris dissenting.

Player Tracking

Mr. Huntington stated that the Division is proposing to maintain the prohibition against player tracking.

E-Government Conference Report

Mr. Huntington reported on the E- Government conference which was held in Billings May 26, 2004. Two things of importance came out of this conference: either web-entry or some other form of sending files into the state; what happens to the paperwork that has always been sent in to the state: service reports, meter resets etc. Mr. Huntington felt that a group from the Division and industry need to get together to see what the alternatives are to this problem. The other item of importance had to do with ways to take the electronic data off of the machines: hand-held devices, porting information provided by the SAS protocol.

Mr. Huntington reviewed a system used by the Department of Revenue that could be used for the accounting part of our system.

Tim Carson stated that it is important that everybody in the industry has an option to participate in what is going on.

Video Gambling Machine Tax and Record Keeping Compliance Audits

Steve Morris stated that there have been some concerns from members of the MTA regarding field audits and penalties. Chairman Mahlum appointed a sub-committee to review this concern: Steve Morris, Chairman, Rep. Witt and Nick Murnion.

ADMINISTRATOR'S REPORT

Mr. Huntington reported that there was another record quarter for tax revenues, \$12.692 million in video gambling taxes. Video gambling permits are holding steady compared to last year; 963 locations have multi-game agreements that include 4400 machines. Mr. Huntington informed the Council that Kathy Baertsch has been elected vice-president of the North American Gaming Regulator's Association.

PARIMUTUEL FANTASY SPORTS PROPOSAL

John Tooke presented a proposal on pari-mutuel fantasy sports. Mr. Tooke stated that the pari-mutuel system is really nothing more than an accounting system that is currently in place that essentially lends itself to managing the pools that Mr. Tooke wants to generate. Mr. Tooke proposes to substitute football players and/or teams for horse names. The league would be formed statewide and each player would play against everybody else in the state that was participating. Mr. Tooke believes that this will also develop more players for horse racing. They have increased the take-out to allow 5% of the handle to

go to horse breeders. Mr. Tooke stated that he will ask his legislative representative to carry the bill.

FINAL BUSINESS

Drafts of legislation will be presented at the next meeting. The next meeting will be in October in Missoula.